

Auditor's Summary

Special-Purpose Financial Audit of the Hawai'i Convention Center

Financial Statements, Year Ended December 31, 2017



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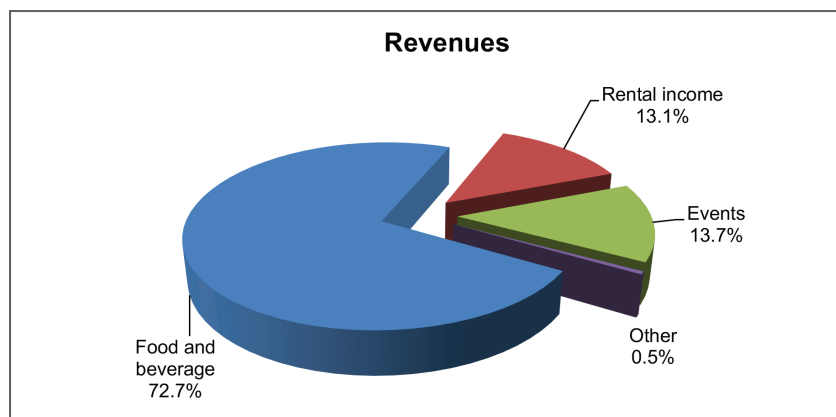
THE PRIMARY PURPOSE of the special-purpose audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Convention Center (the Center), as of and for the year ended December 31, 2017. The special-purpose financial statements have been prepared pursuant to the provisions of the management agreement between the Hawai'i Tourism Authority and AEG Management HCC, LLC (AEG), a private company contracted to operate the Center. The audit was conducted by CW Associates, A Hawai'i CPA Corporation.

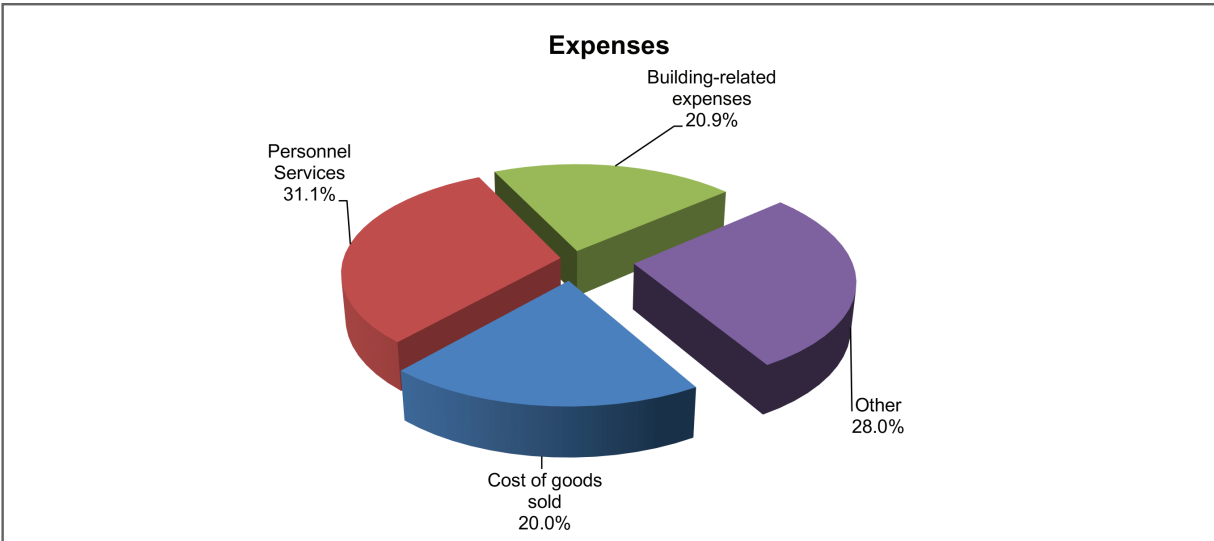
About the Center

THE CENTER, which opened to the general public in June 1998, is used for a variety of events, including conventions and trade shows, public shows, and spectator events. The Center offers approximately 350,000 square feet of rentable space, including 51 meeting rooms. Effective July 1, 2000, the Hawai'i Tourism Authority is responsible for the operation, management, and maintenance of the Center. The Center is reported as a special revenue fund of the Hawai'i Tourism Authority.

Financial Highlights

FOR THE YEAR ENDED December 31, 2017, the Center reported total operating revenues of \$17.6 million, total operating expenses of \$22.5 million, and \$8.6 million in net contributions from the Hawai'i Tourism Authority, which resulted in a change in net assets of \$3.7 million. Revenues consisted primarily of \$12.8 million from food and beverage, \$2.3 million from rental income, \$2.4 million from events, and \$100,000 from other operating revenues.





Expenses consisted of \$7 million for personnel services, \$4.7 million for building-related expenses, \$4.5 million for cost of goods sold, and \$6.3 million for other costs.

As of December 31, 2017, the Center's total assets exceeded total liabilities, resulting in net assets of \$16.5 million, of which \$14.9 million is restricted. Total assets of \$19.5 million were comprised of cash of \$13.5 million, amounts due from Hawai'i Tourism Authority of \$4.5 million, accounts receivable of \$1.3 million, and other assets of \$200,000. Total liabilities of \$3 million were comprised of accounts payable of \$1.3 million, amounts due to Hawai'i Tourism Authority of \$400,000, advance deposits of \$600,000, and other liabilities of \$700,000.

Property, building, furniture, and equipment used in the Center's operations, and related depreciation expense, as well as debt used to finance such capital assets and the related interest expense, are not reflected in the Center's special-purpose financial statements. Those assets, liabilities, and related expenses are reflected on the financial statements of the Hawai'i Tourism Authority.

Auditors' Opinion

THE HAWAI'I CONVENTION CENTER RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with the management agreement between the Hawai'i Tourism Authority and AEG, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

For the complete report and financial statements, visit our website at:
http://files/hawaii.gov/auditor/Reports/2017_Audit/ConventionCenter2017.pdf